Massachusetts Division of Health Care Finance and Policy

Uncompensated Care Pool PFY06 Utilization Report

December 6, 2006

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Commonwealth of Massachusetts

Timothy Murphy, Secretary
Executive Office of Health and Human Services

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Introduction

Statutory Mandate

Chapter 139 of the Acts of 2006, line item 4100-0060, included the following provision to which this report responds.

"...provided further, that the division shall submit to the house and senate committees on ways and means not later than December 6, 2006 a report detailing utilization of the Uncompensated Care Pool; provided further, that the report shall include:

1) the number of persons in the Commonwealth whose medical expenses were billed to the Pool in Fiscal Year 2006;

2) the total dollar amount billed to the Pool in Fiscal Year 2006;

3) the demographics of the population using the Pool, and;

4) the types of services paid for out of the Pool funds in Fiscal Year 2006;

provided further, that the division shall include in the report an analysis on hospitals' responsiveness to enrolling eligible individuals into the MassHealth program upon the date of service rather than charging said individuals to the Uncompensated Care Pool; provided further that the division shall include in the report possible disincentives the state could provide to hospitals to discourage such behavior..."

A Word About the Data

This is the fifth annual utilization report submitted by the Division of Health Care Finance and Policy (DHCFP) on the Uncompensated Care Pool (the Pool), and covers Pool Fiscal Year 2006 (PFY06).[1] As required by statute, this report provides information on the number of individuals using the Pool, the total dollar amount billed to the Pool, the demographics of Pool users, and the types of services paid for by Pool funds during PFY06.

The data used for this report include eligibility and demographic data on individuals applying for uncompensated care, and claims data on the clinical services paid for by the Pool. Eligibility information is taken from uncompensated care applications submitted to the Division and through MassHealth, and claims data are submitted by each provider. Consistency and validity of the data are ensured through a series of quality edits applied to the data. In addition, uncompensated care claims are matched to their corresponding uncompensated care application in order to verify the legitimacy of the claim. DHCFP also takes special steps to ensure that it can identify an unduplicated number of Pool users by using sophisticated algorithms and matching patient identities across pro-

[1] The 2006 Pool Fiscal Year (PFY06) runs from October 1, 2005 through September 30, 2006. Any claims billed to the Pool during that time, or uncompensated care applications used to determine an individual's eligibility during those months, are considered to be PFY06 data.

viders. Further information on the data is provided in the Appendix.

Because of data submission deadlines, the claims and eligibility database used for this report contains data for only the first ten months of the Pool year (October 1, 2005 through July 31, 2006). When appropriate, values for the full year have been extrapolated from the data and are noted in the report.

Utilization

Uncompensated Care Pool payments are limited to the amount of funding that is available in each Pool fiscal year.

Number of Individuals Served by the Pool[2]

In PFY06, medical expenses for an estimated 447,301 individuals were billed to the Uncompensated Care Pool. Seventy percent (70%) of these services were submitted to the Pool by hospitals as regular uncompensated care claims. Hospital emergency bad debt (ERBD) claims represented another 7% of Pool volume in PFY06. Services provided by freestanding community health centers represented another 23% of service volume.[3,4]

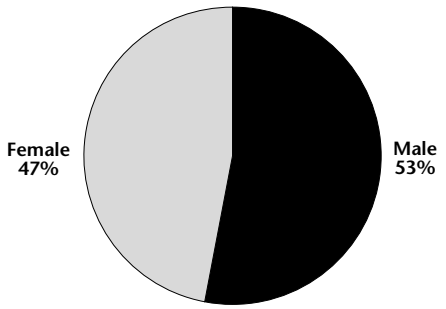
Total Amount Billed to the Pool

In PFY06, the Division of Health Care Finance and Policy projects $663.3 million[5,6] in allowable uncompensated costs to be billed by hospitals to the Uncompensated Care Pool. Community Health Centers (CHCs) are projected to bill for $46.1 million in payments during PFY06.

Pool User Demographics

Demographic data for the individuals who relied on the Pool to cover the costs of their health care needs during PFY06 is gathered from uncompensated care applications and claims submitted to the Pool. As the data on the following pages indicate, the majority of Pool users were single, childless adults ages 19 to 64, with very low incomes.

Figure 1: Percent of Total Charges to the Pool by Gender, PFY06



Slightly more than half of the charges to the Pool were for male users.

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[2] The number of individuals is extrapolated from 10 months of data. The percentage distribution of claims contained here is the actual distribution for the 10 months of PFY06 that were available.

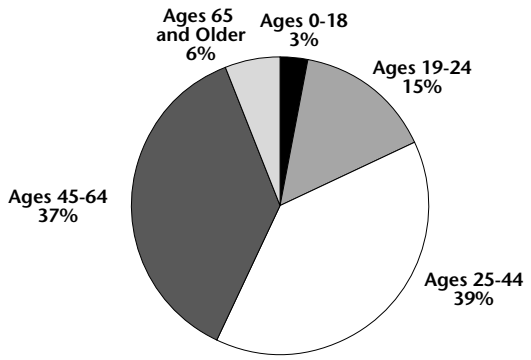
[3] Figures reported in this section are the result of a method that is designed to produce unduplicated counts from the data submitted by providers. In order to avoid double counting among types of claims (e.g., ERBD, inpatient, etc.), users were assigned to the category of the most recent claim submitted for services used by that patient.

[4] Caution should be taken when comparing this Pool user count with a count of the number of uninsured individuals in the Commonwealth based on survey results. The Commonwealth's survey, like most surveys of the uninsured, asked whether an individual was uninsured on a particular date, rather than whether the individual had been uninsured at any point during a one-year period.

[5] This estimate extrapolates from 11 months of UC form data. For charge data from the 10 months of available PFY06 claims data, see Figure 5. The $663.3 million in hospital allowable uncompensated care costs represents $1.50 billion in estimated uncompensated care charges. Costs are subject to audit and final settlement.

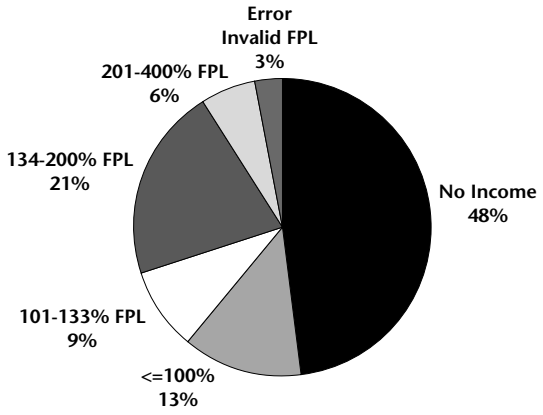
[6] Charges to the Pool include charges for both uncompensated care and emergency bad debt (ERBD). The charges are net of payments made by other payers, or other third party liability recoveries. The Pool is always the payer of last resort.

Figure 2: Percent of Total Charges to the Pool by Age Group, PFY06



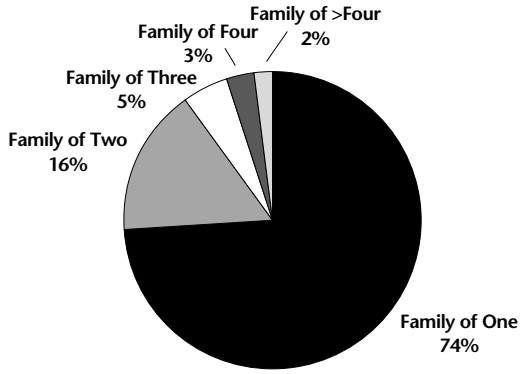
The greatest share of charges to the Pool was for young adults ages 25 to 44. Ninety-one percent (91%) of charges were for the entire non-elderly adult population ages 19 to 64.

Figure 3: Percent of Total Charges to the Pool by Reported Family Income, PFY06



Forty-eight percent (48%) of charges to the Pool were for individuals who reported no family income. An additional 22% of charges to the Pool were for individuals with reported family income of 1 to 133% FPL. This represents an income of less than $13,044 per year for an individual. These percentages reflect claims that are matched to the MassHealth Member Benefit Request (MBR)/UCP Application, and therefore exclude ER bad debt claims (for which there are no applications).

Figure 4: Percent of Total Charges to the Pool by Family Size, PFY06



Seventy-four percent (74%) of charges to the Pool were generated by single individuals and an additional 16% were generated by two-person families, comprised of two adults or an adult and child. Combined, one- and two-person families generated 90% of charges to the Pool. These percentages reflect claims that are matched to the MassHealth MBR/UCP Application, and therefore exclude ER bad debt claims (for which there are no applications).

Services Paid for by the Pool

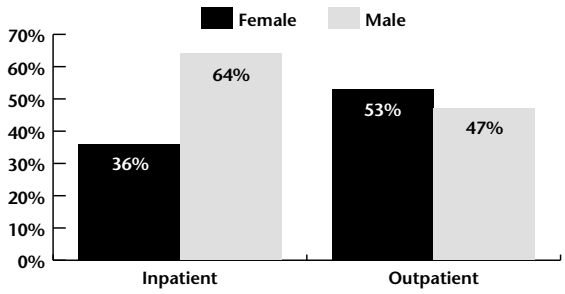
Figure 5: Service Volume and Charges to the Pool by Type of Claim, PFY06 (October 2004 – July 2006)

	Service Volume	Percent	Total Charges to the Pool (excluding CHCs)	Percent
Total Admissions/ Visits	**1,657,775**	**100%**	**$1,152,737,014**	**100%**
Total Inpatient Admission	33,567	2%	$396,746,585	34%
Total Hospital Outpatient Visits	1,242,833	75%	$755,990,428	66%
Total CHC Visits	381,375	23%	na	na
Total ERBD Claims	117,680	7%	$140,142,373	12%
Total Regular UCP Claims	1,540,095	93%	$1,012,594,641	88%
Total Outpatient Visits	**1,624,208**	**100%**	**$755,990,428**	**100%**
Outpatient Pharmacy	293,742	18%	$81,048,959	11%
Outpatient ED Visits	257,728	16%	$277,380,936	37%
Outpatient Clinic Visits	314,968	19%	$141,851,309	19%
Outpatient Ambulatory Surgery Visits	17,779	1%	$61,732,052	8%
Other Outpatient Visits	358,616	22%	$193,977,172	26%
Free-standing CHC Visits	381,375	23%	na	na

This table summarizes the PFY06 patient-level clinical services data currently available in the DHCFP claims database (i.e., the first 10 months of PFY06). These data represent approximately 95% of all allowable uncompensated care charges billed to the Pool by hospitals on their monthly forms.

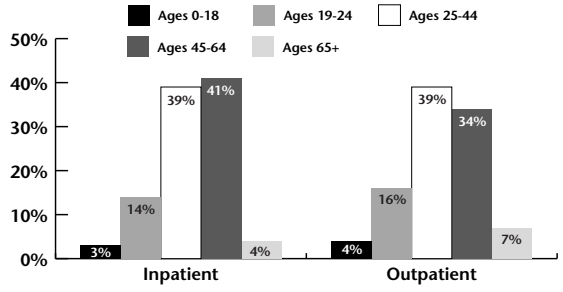
Although only 2% of claims submitted to the Pool were for inpatient services, charges for these services represented 34% of the total charges to the Pool. Claims for emergency bad debt (ERBD) represented 7% of all Pool claims and 12% of total charges to the Pool. The service volume measurement used here equals one inpatient admission or one outpatient visit.

Figure 6: Percent of Charges to the Pool by Type of Claim and Gender, PFY06



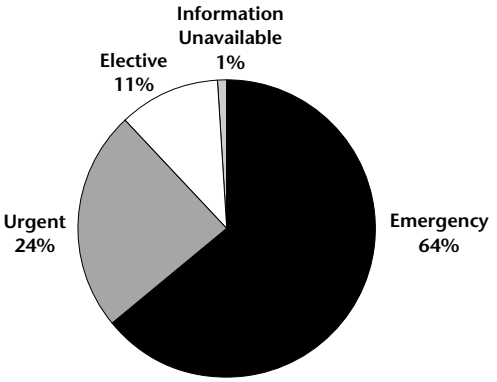
Services for males generated a significantly larger proportion of inpatient charges, while services for females represented slightly more of the outpatient charges.

Figure 7: Percent of Charges to the Pool by Type of Claim and Patient Age, PFY06



Pool users aged 25 to 64 represented 80% of inpatient charges, and 73% of outpatient charges to the Pool.

Figure 8: Percent of Inpatient Admissions by Admission Type, PFY06



Almost two-thirds (64%) of uncompensated care inpatients are admitted as emergencies, almost one-quarter (24%) for urgent care, and a smaller share (11%) for scheduled (coded as "elective") procedures. Admission type excludes patients with pregnancy-related diagnoses (MDC 14 and 15).

Figure 9: Top 10 Inpatient Major Diagnostic Categories[7] for Uncompensated Care Patients, PFY06 (percent of total charges)

MDC	Percent
Circulatory Diseases and Disorders	16%
Digestive Diseases and Disorders	10%
Mental Diseases and Disorders	9%
Nervous System Diseases and Disorders	9%
Musculoskeletal Diseases and Disorders	8%
Respiratory Diseases and Disorders	7%
Hepatobiliary Diseases and Disorders	6%
Alcohol/Drug Use and Induced Organic Mental Disorders	5%
Skin Diseases and Disorders	3%
Kidney Diseases and Disorders	3%
Total for Top MDCs	**77%**

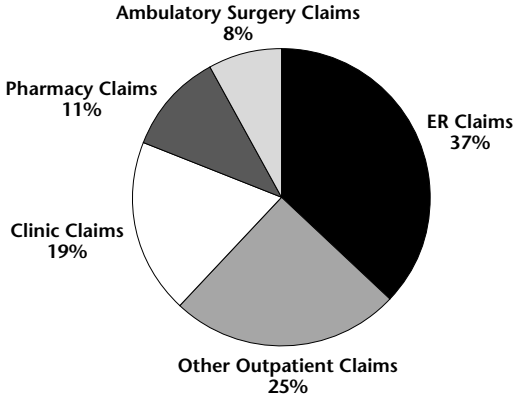
Discharges for circulatory diagnoses represented the largest share of inpatient charges for Pool patients. Taken together, discharges with a primary diagnosis of mental health or alcohol/drug use related mental disorders represented 14% of charges.

Figure 10: Characteristics of the Inpatient Uncompensated Care Population, PFY04 to PFY06

	PFY04	PFY05	PFY06
Case Mix Index	1.73	1.81	1.79
Average Length of Stay (days)	7.61	5.62	5.35

The case mix index represents the amount of resources required to treat a given population. It is implied that the level of resources a patient requires is an approximation of their acuity level (i.e., level of illness). A case mix index of 1.00 suggests a given patient uses an average amount of resources, while a case mix of 2.00 implies a patient requires double the amount of resources. The case mix index for Pool patients has decreased slightly between PFY05 and PFY06, and indicates that UCP users have a higher than average acuity level. This case mix index data excludes mental health and substance abuse Major Diagnostic Categories. The average length of stay (ALOS) for Pool users decreased slightly between PFY05 and PFY06.

Figure 11: Percent of Charges to the Pool by Outpatient Service Type, PFY06



The largest proportion of outpatient charges to the Pool was for ER services (37%). Another 19% of outpatient charges were for clinic services. "Other outpatient claims" include charges for such services as laboratory and radiology services, physical therapy, mental health services, or outpatient chemotherapy. Outpatient pharmacy claims are claims with charges for pharmacy only. Pharmacy charges that occur with other services would be included in one of the other categories.

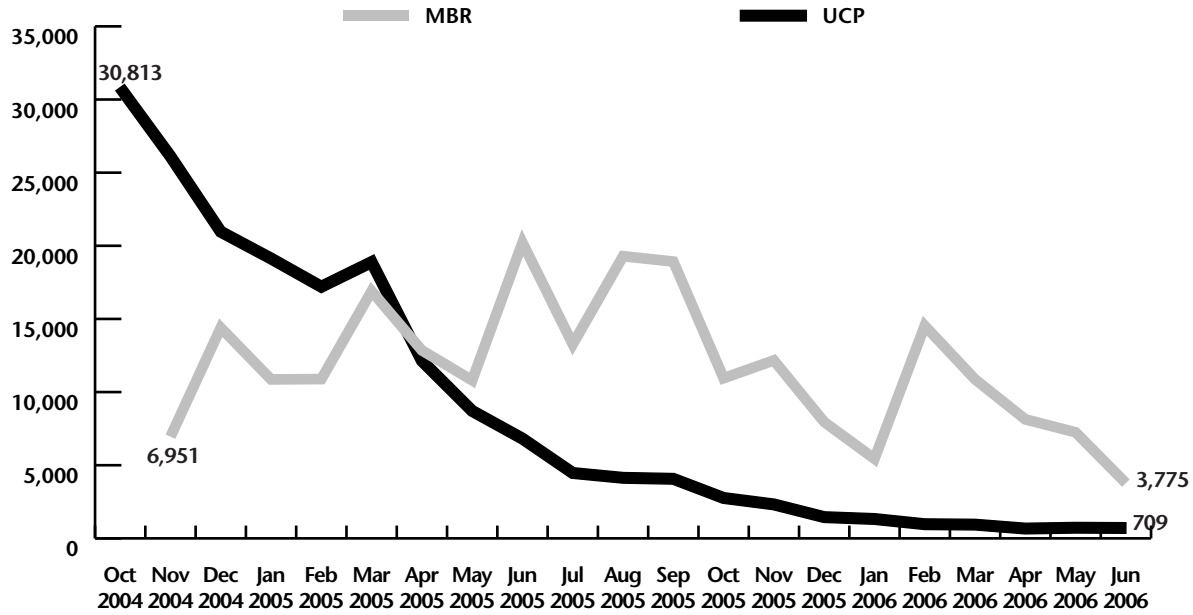
[7] Inpatient diagnoses are classified into one of twenty-five major diagnostic categories (MDC). Discharges are grouped into MDCs using 3M's All Patient DRG Grouper, version 12.

Hospital Responsiveness to Enrolling Patients in MassHealth

Section 355 of the Acts of 2004 requires the Division to screen all UCP applicants for MassHealth eligibility prior to making any UCP determination. Coupled with this initiative has been the introduction and deployment of the Virtual Gateway, a single application tool for MassHealth and UCP determinations. Since October 1, 2004, all UCP applications processed through the MassHealth application system have been screened first for MassHealth eligibility before a UCP determination is made.

Since January 2005, the majority of monthly UCP determinations have been completed using the MassHealth application process. As anticipated, the transition to the Virtual Gateway application system has resulted in a significant reduction in UCP applications submitted to the Division. The Division continues to receive a small

Figure 12: Volume of UCP Determinations Processed Each Month through the MassHealth Member Benefit Request (MBR) or the UCP Application System, PFY05-PFY06



MassHealth data were unavailable for October 2004.

number of applications for the age 65 and over population, confidential applicants, and Medical Hardship applications.

The Virtual Gateway system has proven to be an effective method of determining MassHealth and UCP eligibility for the uninsured residents of Massachusetts. It has simplified the determination process through the use of a single application for both MassHealth and UCP eligibility. The successful transition of hospital and CHC providers onto the Virtual Gateway has effectively eliminated the possibility of patients having services charged to the UCP without first being screened for MassHealth eligibility.

Appendix: Data Notes

Data used in this analysis were drawn from the following sources:

Monthly Reports from Hospitals and Community Health Centers (CHCs)

Each month, hospitals and CHCs report their uncompensated care charges to the Division of Health Care Finance and Policy. Hospitals use the UC form and CHCs use the CHC payment form. The UC form is an aggregation of monthly hospital charges, the CHC payment form details monthly visit activity for CHCs as well as certain charge activity. The UC forms are matched to each hospital's submitted UCP claims collected in the DHCFP claims database.

Pool Claims Database

Hospitals and CHCs began electronic submission of data elements in UB-92 claims format to the Division of Health Care Finance and Policy in March 2001. During PFY03, the Division began penalizing hospitals that submitted incomplete data. As a result, compliance with data submission requirements has improved dramatically. Although variability exists among providers, the charges to the Pool reported in the claims database equal approximately 95% of the charges reported by hospitals in their monthly statements submitted to the Division for payment purposes.

Pool Applications Database

Hospitals and CHCs began submitting electronic UCP application forms to the Division in October 2000. Note that the application contains data as reported by the applicant, with documentation required from the applicant to verify income and residency.

Beginning in October of 2004, applications submitted through MassHealth were also screened for UCP eligibility, if no MassHealth eligibility existed. The eligibility data for individuals determined to be eligible for UCP or MassHealth after October 1, 2004 has been integrated into the UCP applications database to create a comprehensive dataset of demographic and eligibility information for all individuals with UCP eligibility.

Matched Pool Applications and Claims Database

To the extent possible, the Division matches uncompensated care claims to the corresponding uncompensated care application. Matching is based on the applicant's social security number or tax identification number when available. Additional matching uses an algorithm based on other available data such as phonetic last name, phonetic first name, date of birth, provider, etc. Since there are no applications associated with emergency bad debt (ERBD) claims, ERBD claims data are excluded from the match.

The Division's matching algorithm has been revised to incorporate application data from UCP applications submitted through MassHealth. In PFY06 (data through July),

94% of uncompensated care claims matched to either a DHCFP or a MassHealth application. A small percentage of claims remains unmatched because of timing issues (e.g., applications submitted after an uncompensated care claim has been written off), or because of inconsistencies in personal identifiers that hinder matching.

Production Notes

Uncompensated Care Pool PFY06 Utilization Report was researched and produced by the Massachusetts Division of Health Care Finance and Policy. The Division is solely responsible for its content and distribution. Publication design, editing, page layout and the originals for this document were produced in-house using cost-effective, electronic desktop publishing software and microcomputer equipment. This report was prepared for general distribution at the Division.

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